सूक्ष्म लघु एवं मध्यम उद्यम
MICRO, SMALL, & MEDIUM ENTRERPRISES

Guidelines for Implementation of the Scheme "Setting up of New Mini Tool Rooms (MTRs) under Public Private Partnership (PPP) Mode"
(A Component of National Manufacturing Competitiveness Programme)

सत्यमेव जयते

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Setting up of New Mini Tool Rooms (MTRs) under Public Private Partnership (PPP) Mode.

1. Overview

(a) Manufacturing has been recognized as the main engine for growth of the economy. In order to achieve a GDP growth of 9%, the manufacturing sector has to grow at 12%. The Micro, Small and Medium Enterprises (MSME) sector, comprising of 114 lakh units has been a significant contributor to the manufacturing by accounting for nearly 40% of total industrial production.

(b) To achieve a sustained rate of growth, the manufacturing sector needs to build and maintain competitiveness needed to face the challenges posed by globalisation.

(c) Tooling has been recognized as the backbone of the manufacturing sector and enhancement of tooling facilities will give a fillip to the sector especially the MSME sector which lacks the capacity to set up these facilities in-house.

(d) With this view, Government of India has established 10 state of the art Tool Room & Training Centres. The Government also assisted State Governments to set up Mini Tool Rooms on a cost-sharing basis. These Tool Rooms are highly proficient in tool & die making technologies and promote precision as well as quality in the development and manufacture of sophisticated tools, moulds and the like.

(e) However the facilities are not enough to cope up with the ever increasing demand for tooling as well as skilled manpower; hence National Manufacturing Competitiveness

Programme (NMCP), suggested by National Manufacturing Competitiveness Council (NMCC) aims to extend support to the private sector to set up New Mini Tool Rooms, which is expected to result in improved competitiveness of the sector.

(f) It is in this context that this Scheme is being launched.

2. <u>The Scheme</u>

(a) The Scheme termed as "Setting up of New Mini Tool Rooms (MTRs) under Public Private Partnership (PPP) Mode", is a Central Sector Scheme and would be implemented during 11th Five year plan.

(b) Ministry of MSME will allocate Rs 135.0 Crores during the 11th five-year plan to provide partial grant assistance to several identified Projects under the Scheme.

(c) The Scheme will be implemented on a Public Private Partnership mode and would provide funds to meet a part of the Project cost, the extent of which would be determined through a competitive bidding process. Towards this purpose, the Government will invite proposals for specific Projects, based on needs and identified through a survey in that regard.

3. <u>Objectives</u>

(a) To improve the competitiveness of the MSMEs engaged in manufacturing activity by creating capacities in the private sector for designing and manufacturing quality tools.

(b) To bridge the gap between the demand and the supply of trained manpower in the industry.

(c) To encourage Research & Development, and optimization of cost and quality of delivery, leading to enhanced competitiveness of the manufacturing sector.

4. Implementation

The scheme will be implemented in the following three models in order of preference.

(i) Model-I (Centre PPP Model):

Projects to be set up and operated by Private Partner (individual, company, association, NGO/society). The financial assistance will be given to meet the viability gap on a case-to-case basis and it will be restricted to 40% of the project cost (not exceeding Rs. 9 crore). The remaining resources will be required to be arranged by the Project Sponsor through equity, borrowings from Banks / Financial Institutions and other sources.

(ii) Model-II (State PPP Model):

Projects to be set up by State Governments in cooperation with NGOs (SPVs) who will run the projects on mutually agreed terms. The financial assistance will be equal to 90% of the cost of machinery, restricted to Rs. 9 crore. However, in order to retain a say in the management, atleast 26% of the share should be with State Government. The remaining cost of machinery, land & building, recurring cost, any other cost, etc. will be borne by the SPV. **This Model would be resorted to only when it is not viable to establish a New Mini Tool Room under Model-I.**

(iii) Model-III (Centre State Model):

Projects to be set up and managed by State Government/ State Government Agencies. The financial assistance will be equal to 90% of the cost of machinery, restricted to Rs. 9 crore for setting up new Mini Tool Rooms. The financial assistance equal to 75% of the cost of the machinery, restricted to Rs. 7.50 crore, can also be sanctioned for upgradation of an existing State Tool Room. The remaining cost of machinery, land & building, recurring cost, any other cost etc will be borne by the State Government/ State Government Agency. **This model would be resorted to only where both the Model-I and Model-II fail.**

In view of decision of Government of India to prefer Model I vis-à-vis Model II & III, the present guidelines have been framed for Model I. For Model II & III the procedure/ guidelines followed for earlier Mini Tool Room scheme will be followed.

5. Coverage and Eligibility

(a) The Scheme is intended to maximise the availability of tooling services and training facilities to enhance competitiveness of MSMEs. Accordingly the Government will encourage a group of MSMEs to come together to set up MTR. Individual service providers can also qualify for assistance.

(b) Setting up of Mini Tool Room or training centre for captive consumption will not be eligible for funding assistance.

(c) Assistance under the Scheme will be available to a Special Purpose Vehicle termed as 'Project Company' for the purpose of the Scheme, established for the purpose of setting up a Mini Tool Room and constituted as a distinct legal entity by private sector sponsors. The Project Company may be a distinct legal entity formed by any of the following:

i. Individual enterprises
ii. Consortium of enterprises
iii. Industry Association
iv. Enterprise(s)/ Industry Association jointly with the State Government.

(d) At the time of bidding, the applicant may be a person/ group of persons as described under this clause. However, upon selection as a successful bidder, the applicant must form a Project Company as described under (e) below.

(e) The Project Company will ordinarily be a privately sponsored and controlled Company registered under Companies act 1956, with at least 51% of the subscribed and paid up equity brought in by entities from the private sector. Any other structure will be subject to the approval by project Monitoring Committee (PMC) **(Annexure-I)**.

(f) The Project Sponsors constituting the Project Company should preferably be from the manufacturing value chain and should be able to demonstrate experience in the tool room and related industry.

(g) The assistance under the Scheme will be available for a Project, to be established for development of MSMEs in general, covering the following two sets of interventions:

i. Tool Room facilities

ii. Tool room related training facilities

(h) Subject to the approval of PMC, the tool room may meet any of the other felt needs of the cluster enterprises it wishes to cater to, that will enable the cluster enterprises in improving their competitiveness such as designing, research & development, consultancy services etc.

(i) The Projects proposed to be taken up under the Scheme will benefit a significant number of enterprises, primarily MSMEs in the cluster.

6. Financial Assistance

(a) Each of the Projects to be considered for assistance under the Scheme will be eligible for grant funding upto a maximum of 40% of the Project cost not exceeding Rs.9.00 crore.

(b) The actual extent of assistance within the overall limits will be determined based on lowest grant support (in absolute term) requested by the private entity/s sponsoring the Project, in response to Request for Proposal (RFP) to be invited by the Government in this regard.

(c) Project cost for the purpose of the Scheme will mean the cost of land; civil works; plant & machinery; and preliminary and pre-operative expenses. However the aggregate cost of land and civil works shall not exceed 25% of the Project cost.

(d) In determining the Project cost, the following guidelines will be applied:

(i) If the land is provided by the State Government or its agencies, corporate or otherwise, the value of land to be considered for arriving at the cost of the Project for determining grant assistance will be the circle rate as per Government records.

(ii) If the land is brought in by the Project Company (whether acquired in the past, or currently), the actual transaction value or Government circle rate, whichever is less, will be considered in the Project cost.

(iii) If the building is provided by the State Government free of cost or at subsidised value, in arriving at the Project cost, valuation by Government authorised/ approved/ recognised valuer will be considered.

(iv) If the Project avails of any capital grant/ subsidy of the GoI under any other Scheme, the same will be added to the amount of grant, in evaluation of bids.

(e) The Project Company shall meet escalations, if any in the Project cost from its own sources. No additional grant from Government of India would be made available.

7. Sources of Funds

(a) Project Sponsor's contribution should be at least 15% of the overall Project cost.

(b) The Project Company may raise financial resources for the Project from various commercial sources. These may be equity, subordinated debt, preference capital, term loans, etc.

8. Implementation & Approval Process

(a) Tool room industry is expected to cater to diverse needs of a range of user groups. Hence the capital investment needs could vary significantly from a level as low as Rs. 1 Crore to about Rs. 50-100 Crore for large scale high technology facility.

Therefore, an intensive market scan will be undertaken by DC (MSME) by utilizing the expertise available in the existing MSME Tool Rooms to identify the potential locations for setting up the New Mini Tool Rooms. A Project Report defining detailed contours of the identified Mini Tool Rooms will also be prepared by the concerned MSME Tool Rooms.

(b) The Government will follow a transparent and competitive bidding process to select the Project Sponsor/ Project Company who will set up the identified New Mini Tool Room.

(c) A Request for Proposal (RFP) will be floated based on the predefined contours of the Project Report for the project/identified Mini Tool Room, inviting technical and financial proposals, pursuant to which interested entities from the private sector will submit their proposals for setting up of New Mini Tool Room. The proposals will be evaluated on technical and financial parameters. The criteria for technical evaluation will be determined by the Government with assistance from the Transaction Adviser (TA), MSME Tool Room concerned and the same shall be clearly spelt out in the RFP.

(d) Financial proposals of only those bidders who qualify technically will be evaluated for selection of successful Project Company.

(e) The technically qualified bidder, who asks for lowest grant assistance (in absolute term) will be selected for assistance under the Scheme.

(f) After evaluating the financial offers of technically qualified bidders, TA will submit its recommendations to the PMC.

(g) The PMC constituted by the Government will have the authority to decide on the proposals received, which are not in conformity with the framework of the Scheme or the RFP document.

(h) PMC will, after evaluation, present its recommendations before the EFC/ SFC. Approval for a Project will be accorded by the EFC/SFC based on the recommendations of PMC and due diligence by TA. Such approval will be valid for a period of 6 months from the date of approval, and it is expected that the Project will be ready for release of first tranche of grant within 6 months, failing which, the approval will automatically lapse, unless it is specifically extended by the PMC.

(i) A Letter of Acceptance (LoA) will be issued to the successful bidder stating his selection and invitation to sign an Agreement with GoI, clearly specifying the responsibilities of each of the parties, to implement the Project subject to demonstration of technical and financial capability as stated in the response to RFP.

9. <u>Time Frame</u>

The timeframe for implementation of the Project is 2 years from the date of issue of LoA.

10. <u>Release of Funds</u>

I. The following schedule will be adopted for release of Government of India share to the Project Company:

(i). 20% as Ist Instalment

20% of the Grant will be released on possession of Project Site by the Project Company, achievement of Financial Close and infusion of at least matching contribution of the Project Company's share. The expenditure incurred by the Project Company for acquisition of Project Site will be considered as part of the matching contribution,

(ii). 35% as IInd Instalment

35% of the Grant will be released after the utilisation of at least 60% of the 1st instalment of Grant and the matching contribution brought in by the Project Company under Clause (i) as above and infusion of at least matching contribution of the Project Company's share,

(iii). 35% as IIIrd Instalment

35% of the Grant will be released after the utilisation of the 1st instalment of Grant and the matching contribution brought in by the Project Company under Clause (i) and 60% of the 2nd instalment of Grant and matching contribution brought in by the Project Company under Clause (ii) as above and infusion of at least matching contribution of the Project Company's share,

(iv). 10% as IVth Instalment

Balance 10% of the Grant, being the final instalment of Grant will be paid (a) upon utilisation of 2nd and 3rd instalments of Grant and the matching contribution under Clause (ii) and (iii) above, (b) infusion and utilisation of the balance 10% of the share of Project Company and (c) on commissioning of the Project and commencement of operations and furnishing of Completion Certificate.

II. The Project Company will submit the Utilisation Certificate (UC) for the amounts utilized as per the format in accordance to GFR 19A (**Annexure II**); A separate no-lien account will be maintained by Project Company for the funds released by GoI and Accounts pertaining to the Project will be subject to audit by the Comptroller & Auditor General of India.

11. O&M of Assets

(a) The Project Company will be responsible for Operation & Maintenance (O&M) of assets created under the Scheme.

(b) There will be one nominee of the Development Commissioner (MSME) on the Board of Directors of the Project Company during Agreement period as approved by the Competent Authority for individual project.

(c) In case of dissolution of Project Company within Agreement period, the asset created within the Project Company will be vested with the Government.

(d) The Project Company will not abandon the operations of the Project, nor transfer any or all of the Project assets including assets acquired for the Project out of resources other than GoI grant.

(e) In case the Project Sponsor desires to withdraw from the Project through transfer/ sale of the Project assets, an application to the effect will be made to PMC. PMC will consider the merits of such a request and take necessary steps for transfer of Project assets through transparent bidding process, or take over the assets, or undertake such other steps to meet the objectives of the Scheme.

(f) In situation as described under (e) above, the consideration, if any, payable to Project Company / Project Sponsors will be determined following fair and transparent procedures.

12. <u>Implementation framework</u>

(a) Project Monitoring Committee (PMC)

i The Office of Development Commissioner (MSME), GoI will be the coordinating Department providing overall policy, coordination and management support to the Scheme. A Project Monitoring Committee will be constituted under the Chairmanship of Additional Secretary and Development Commissioner (MSME). The constitution of the committee is detailed in **Annexure I.**

ii The PMC may induct representatives of industry associations, Research & Development/ Technical institutions and other private/public sector expert organisations as members or special invitees.

iii In carrying out its roles and responsibilities, the PMC, will take account of synergies of this Scheme with other Schemes of the Department in general.

iv Upon recommendations of PMC based on the evaluation of bids, the EFC/ SFC will accord approvals to the Projects.

v PMC will ensure smooth implementation of the Scheme by undertaking monitoring and periodic reviews of the approved

Projects including compliance with the conditions mentioned under the Agreement.

(b) Transaction Advisor (TA)

i Recognising the need to undertake extensive pre Project activities, GoI will engage the services of a professional agency that has experience in execution of projects based on competitive bidding; implementation of similar PPP based Schemes. TA will assist the Government in speedy implementation of the Projects in a transparent manner.

ii The TA will report directly to PMC and will assist the Office of DC (MSME) in the discharge of the following responsibilities:

1. Formulation of a suitable strategy for implementation of the Scheme.
2. Sensitisation of the potential stakeholders about the Scheme at pre identified major industry concentrations/ locations.
3. Preparation of RFP (Request for Proposal documents) for bidding out projects based on broad contours of the Project Reports of the Projects (prepared by MSME Tool Rooms) and customized Agreement (prepared by TA) to be signed between the GoI and Project Sponsor.
4. Formulating criteria for selection of bidders.
5. Drafting advertisements for RFP for inviting proposals/ bids from private parties.

6. Responding to requests for clarification and providing required information to bidders.

7. Evaluation of Project proposals and bids and its submission with recommendations to PMC for further action.

8. Device various formats for monitoring of projects during implementation and also during operation.

9. Periodical monitoring of the progress of the Projects, and disbursement of funds to the Project Company and their utilization.

iii. TA will be paid a fee by the Government; commensurate with the envisaged responsibilities and such fee will be separate from the grant-in-aid being given to the Project Company.

(c) Project Company

i The Scheme will be implemented on a PPP format through Project Company, specially established for the purpose.

ii The private sector member enterprise/s having the majority stake in the Project Company will all be legally independent entities without any related party relationship with each other, as described under Accounting Standard (AS) 18 the Companies (Accounting Standard) Rules, 2006.

iii The Project Company will undertake the following responsibilities:

1. Prepare the Detailed Project Report (DPR) covering the technical, financial, institutional and O&M aspects of the projects based on the Project contours provided in the RFP.

2. Tie up all financial resources to meet the Project cost (balance of Government of India assistance) through debt/ equity, other forms of non-Government funds.

3. Enter into an Agreement with GoI as provided in the Scheme.

4. Obtain any statutory approvals/ clearances required for the Project including release of funds.

5. Recruit suitable functional professionals including technical staff in order to ensure that the Project is executed smoothly and operated efficiently to provide state- of-art tooling and training services based on global benchmarks.

6. Implement various interventions as outlined and in the DPR submitted to the Government.

7. O&M of assets created under the Project.

8. Furnish periodic progress reports regularly to Development Commissioner (MSME) in the prescribed formats.

9. Perform all the obligations undertaken pursuant to the Agreement with the GoI.

10. Submit the Utilisation Certificate (UC) for the amounts utilized as per the format in accordance to GFR 19A (**Annexure II**).

11. Maintain a separate no-lien account for the funds released by GoI and accounts pertaining to the Project which will be subject to audit by the Comptroller & Auditor General of India.

12. Meet escalations, if any in the Project cost from its own sources.

13. Ensure at its own cost and expense, that the Grant is utilized only for the purposes approved in the DPR.

14. Obtain completion certificate from an independent engineering consultant approved by the PMC confirming that the setting up of the Project is completed in accordance with Project Requirements ("Completion Certificate") and furnish a copy of the same to GoI.

(d) Promotional role of State Governments

Pro-active involvement of the State Governments in the Project implementation is envisaged, which would give an impetus to the Project, however the same is not mandatory. The State Government may extend support to the Project in the following areas:

1. Providing requisite land to the project, wherever needed; in appropriate mode, to the Project; however this is not a pre-requisite under the Scheme.

2. Providing necessary external infrastructure to the Project such as power, water supply, roads etc, wherever needed.

3. Providing necessary Project related clearances expeditiously.

4. Dovetailing assistance available under related State Government schemes for overall effectiveness and viability of the Projects.

5. Extending incentives available under related industrial promotional policies.

ANNEXURE-I

Constitution of Project Monitoring Committee (PMC)

1.	AS & DC (MSME)	Chairperson
2.	Addl. Secretary & F.A.	*Member*
3.	Divisional Head, Tool Rooms, Office of DC MSME	Member
4.	Transaction Advisor	Member
5.	CEO of MSME Tool Room involved in Project Report	Member
6.	Secretary (Industry) of the State	By Invitation

Note: Chairperson may co-opt any other member or invitee as may be felt necessary.

<u>ANNEXURE-II</u>

FORM GFR 19-A

[See Rule 212(1)]

Form of Utilization Certificate

Sl. No.	Letter No. and date	Amount
	Total	

Certified that out of Rs………… of grants-in-aid sanctioned during the year…….in favour of………. vide DC(MSME) Letter No. given in the margin and Rs……….on account of unspent balance of the previous year, a sum of Rs…….has been utilised for the purpose of…………for which it was sanctioned and that the balance of Rs……… remaining unutilised at the end of the year has been surrendered to Government (*vide* No…………, dated………..)/will be adjusted towards the grants-in-aid/equity payable during the next year……………

2. Certified that I have satisfied myself that the conditions on which the grants-in-aid/equity was sanctioned have been duly fulfilled/are being fulfilled and that I have exercised the following checks to see that the money was actually utilised for the purpose for which it was sanctioned.

Kinds of checks exercised

1.
2.
3.

Signature…………………………

Designation………………………

Date…………………….